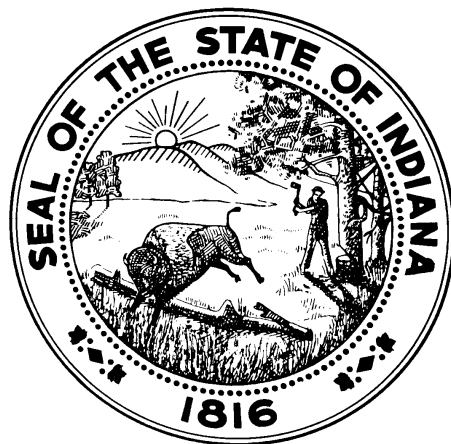


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF CHESTERTON
PORTER COUNTY, INDIANA
January 1, 2007 to December 31, 2007



FILED
12/08/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gayle Polakowski	01-01-04 to 12-31-11
President of the Town Council	David Cincoski James Ton	01-01-07 to 12-31-07 01-01-08 to 12-31-08
President of the Utility Service Board	Lawrence Brandt	01-01-07 to 12-31-08
President of the Storm Water Management Board	Lawrence Brandt	01-01-07 to 12-31-08
Superintendent of Utilities	Steven Yagelski	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CHESTERTON, PORTER COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Chesterton (Town), for the period of January 1, 2007 to December 31, 2007. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 22, 2008

TOWN OF CHESTERTON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ (127,585)	\$ 3,742,079	\$ 4,574,354	\$ (959,860)
Motor Vehicle Highway	73,833	672,329	1,010,606	(264,444)
Local Road and Street	62,859	133,384	117,684	78,559
Redevelopment TIF	597,403	489,559	292,189	794,773
Rainy Day Fund	-	344,383	-	344,383
CEDIT	503,329	687,375	812,927	377,777
Major Moves	1,309,810	53,332	-	1,363,142
Park Bond Proceeds	1,458,388	37,764	1,168,549	327,603
Park Debt	-	57,411	167,770	(110,359)
Park and Recreation	(2,228)	143,275	311,564	(170,517)
Park Nonreverting Operating	66,074	154,078	123,253	96,899
Park Nonreverting Land	916	60,000	-	60,916
Park Gift	55,124	5,104	19,485	40,743
Tree Gift	2,570	6,819	6,005	3,384
Police Continuing Education	8,241	9,942	12,345	5,838
Police Gift Fund	5,652	2,659	3,058	5,253
Debt Service GO 2002	(9,564)	52,554	114,389	(71,399)
Cumulative Capital Development	164,985	64,877	70,598	159,264
Cumulative Street and Sewer	416,209	24,860	48,430	392,639
Cumulative Capital Improvement	2,820	36,838	36,811	2,847
Grants	95,645	4,778	8,450	91,973
DUI Grants	-	12,500	8,314	4,186
Fire Department Gift Fund	1,127	7,051	743	7,435
Proprietary Funds:				
Wastewater Utility - Operating	491,861	3,377,585	3,112,627	756,819
Wastewater Utility - Sinking	275,710	507,600	507,198	276,112
Wastewater Utility - Depreciation	74,231	407,699	185,397	296,533
Wastewater Utility - Plant Maintenance and Improvement	170,110	127,195	134,464	162,841
Wastewater Utility - Debt Reserve SRF	511,500	300,000	300,000	511,500
Wastewater Utility - Customer Deposits	71,777	34,780	24,895	81,662
Wastewater Utility - Dickenson Road Escrow	662,189	34,307	-	696,496
Wastewater Utility - Kat Escrow	2,295	7,183	8,978	500
Stormwater District - Project 2000	34,962	-	1	34,961
Stormwater District - Debt Service	18,788	157,451	408,387	(232,148)
Stormwater District - Debt Service Flood Control	(27,254)	71,163	97,738	(53,829)
Stormwater District - MS4	54,806	438,866	243,003	250,669
Health Insurance	24,491	1,424,702	1,058,032	391,161
Fiduciary Funds:				
Police Officers' Pension	433,709	57,408	93,613	397,504
Firefighters' Pension	284,327	22,638	20,212	286,753
Letters of Credit	-	18,048	-	18,048
Payroll	119,769	4,635,662	4,615,429	140,002
Totals	<u>\$ 7,888,879</u>	<u>\$ 18,425,238</u>	<u>\$ 19,717,498</u>	<u>\$ 6,596,619</u>

The accompanying notes are an integral part of the financial information.

TOWN OF CHESTERTON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater, storm water, and urban development.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF CHESTERTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

1. Agent Multiple-Employer and Single Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

b. 1925 Police Officers' Pension Plan

Plan Description

The Town contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

TOWN OF CHESTERTON
NOTES TO FINANCIAL INFORMATION
(Continued)

c. 1937 Firefighters' Pension Plan

Plan Description

The Town contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The Town contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the government is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the government are established by the Board of Trustees of PERF.

TOWN OF CHESTERTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 7. Subsequent Event

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2005 through 2007. Significant delays in the reassessment process have resulted in delays in billing taxes in 2005 through 2007. The late billing has delayed timely property tax distributions to the Town. The 2007 tax bills were not sent out until December 2007, with a due date of January 11, 2008. On May 20, 2008, the Town received the final 2007 tax distribution from the county.

TOWN OF CHESTERTON
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

	12/31/2007
	Ending
<u>Primary Government</u>	<u>Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,208,553
Infrastructure	16,827,950
Buildings	2,277,293
Vehicles	2,951,894
Machinery and equipment	<u>774,520</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 24,040,210</u>
Business-type activities:	
Wastewater Utility	
Capital assets, not being depreciated:	
Land	\$ 88,168
Construction in progress	79,566
Buildings	13,192,297
Improvements other than buildings	2,631,560
Lift Stations	2,241,544
Sewer Lines	9,311,043
Machinery and Equipment	512,846
Transportation Equipment	<u>520,473</u>
Total Wastewater Utility capital assets	<u>28,577,497</u>
Stormwater District:	
Capital assets, not being depreciated:	
Storm Drainage System	<u>11,344,166</u>
Total Business-type Activities - Capital Assets	<u>\$ 39,921,663</u>

TOWN OF CHESTERTON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
2006 Dump Truck	\$ 49,645	\$ 18,256
2005 Dump Truck	20,037	20,837
Loader	60,551	22,161
Notes and loans payable:		
Redevelopment District Bond Anticipation Note	995,000	22,815
Bonds payable:		
General obligation bonds:		
2001 Street paving & sidewalk construction	490,000	120,605
2005 Park District Improvements	1,905,000	257,901
Total governmental activities debt	<u>\$ 3,520,233</u>	<u>\$ 462,575</u>
Business-type Activities:		
Wastewater Utility:		
Capital leases:		
Vactor Truck	\$ 201,664	\$ 44,751
2008 Trucks	50,580	25,290
Notes and Loans Payable:		
State Revolving Fund Loan Payable	3,635,000	503,255
Commercial Loan	362,557	28,761
Total Wastewater Utility	<u>4,249,800</u>	<u>602,057</u>
Stormwater District:		
General Obligation Bonds:		
1998 Refunding Bonds	1,795,000	414,283
2000 Drainage Improvement	350,000	98,725
Total Stormwater District	<u>2,145,000</u>	<u>513,008</u>
Total business-type activities debt:	<u>\$ 6,394,800</u>	<u>\$ 1,115,065</u>

TOWN OF CHESTERTON
EXAMINATION RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The following cash balances were negative at December 31, 2007:

Fund	Balance
General	\$ (959,860)
Motor Vehicle Highway	(264,444)
Park Debt	(110,359)
Park and Recreation	(170,517)
Debt Service GO 2002	(71,399)
Stormwater District - Debt Service	(232,148)
Stormwater District - Debt Service Flood Control	(53,829)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CHESTERTON
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2008, with Gayle Polakowski, Clerk-Treasurer; James Ton, President of the Town Council; and Joanne Lewis, Clerk. The official response has been made a part of this report and may be found on page 13.

TOWN OF CHESTERTON

CLERK-TREASURER'S OFFICE

726 Broadway • Chesterton, Indiana 46304

Phone: 219-926-1641

Fax: 219-926-7626



October 22, 2008

Bruce Hartman
State Examiner
State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

Re: 2007 Audit

Dear Mr. Hartman:

My only official comment was that I had several property tax revenue funds in the negative. I did not receive my second half tax draw until way into 2008. I have since learned that I could have borrowed from other funds and had the Town Council declare an emergency so that the funds did not have to be paid back by the end of 2007. This is what I will do in the future because it appears that my tax revenue funds will again be in the negative as of December 31, 2008 if the Council does not declare an emergency.

If you have any questions regarding this, please contact me.

Sincerely yours,

Gayle S. Polakowski
Clerk-Treasurer